



Office of Mayor Miro Weinberger

MEMORANDUM

To: City Council
From: Mayor Miro Weinberger
Date: June 23, 2022
Re: Fiscal Year 2023 Budget Memo

Herein is the Mayor's proposed budget for Fiscal Year 2023 (FY 23).

Amidst challenging and uncertain economic times and fiscal constraints on the municipal budget, the proposed FY 23 budget prioritizes public safety by creating several new Burlington Police Department positions that will strengthen our ability to respond and rebuild the department. The proposed budget also makes major investments in important community priorities using one-time ARPA funds and Unassigned Fund Balance that now exceeds our targeted levels after a decade of disciplined focus on building our reserves. Further, as a result of state education tax changes, Burlington taxpayers will realize the investments in this budget while also experiencing an overall property tax reduction of 4%.

Several factors contributed to FY 23 being a challenging budget year. The United States is experiencing historic inflation that continues to rise, most recently reported as 8.6% by some measures. The City is continuing to see revenue shortfalls impacted by the pandemic, such as boat slip rental, parking fees, and donations. The FY 22 budget relied on \$6.5 million of one-time money for general operating revenues, and we have targeted a smaller amount for FY 23. Further, contract negotiations with our four municipal unions were ongoing during the development of the budget, which has meant that finalizing personnel-related costs has been difficult. Finally, voters did not ultimately support the \$0.04 municipal tax rate proposed on Town Meeting Day limiting the new property tax revenue available.

However, as a result of hard work by the City's department heads to manage their budget areas, and some revenue sources exceeding initial projections, we were able to fully close what had been projected to be a more than \$2 million gap without service reductions.

FY 23 Budget Principles

The Administration began the FY 23 budget process by laying out the principles that would guide our work to develop the budget. Those principles were:

- Voters want a focused, disciplined budget that does not increase the property tax burden;
- Avoiding layoffs and furloughs of current City employees is a high priority;
- Cuts should be focused on non-personnel budget lines;
- We will use one-time monies, like ARPA and Unassigned Fund Balance monies to respond to new and recovery-related emergent community concerns;

- We will continue to invest heavily in addressing the climate emergency, in significant part through expanded efforts in the Burlington Electric Department;
- Additional new federal opportunities will be available beyond the City's ARPA allocation and recent earmarks, but they will take time to be fully realized and may result in mid-year budget adjustments; and
- Negotiations with the City's four unions are in progress, so the budget is more uncertain throughout the point in the process, compared to other years.

Investments using One-time Sources

Through a decade of careful and diligent stewardship of the City resources, the Administration has built up a strong Unassigned Fund Balance, which is sometimes referred to as a "Rainy Day Fund." Consistent with the City's Unassigned Fund Balance Policy to maintain a 10% target balance, we are able to make \$2.445 million of one-time investments in City priorities. In the FY 23 budget, the Administration has proposed using our Unassigned Fund Balance surplus toward community initiatives including:

- \$500,000 to implement recycling totes citywide, to increase the amount of waste that can be successfully recycled, improve customer service, and reduce trash debris resulting from current open top recycling bins;
- \$500,000 to invest in Burlington City Arts capital campaign to upgrade the 405 Pine Street art studios, to further arts education and support artists;
- \$500,000 to relocate City IT equipment out of Memorial Auditorium;
- \$520,000 for capital investments in City parks, cemeteries, and public buildings;
- \$100,000 to upgrade Dewey Park in advance of the placement of a planned new sculpture to celebrate belonging;
- \$250,000 to support work that will identify both efficiencies and new municipal revenue opportunities; and
- \$75,000 to support an updated jobs and people study to further economic development initiatives for the City.

In 2021, Burlington was awarded \$27 million of ARPA funding from the Federal government. In FY 22, \$14.8 million of those funds were used for revenue replacement, housing and homelessness initiatives, public health, property tax relief, economic recovery services, and police officer retention bonuses. \$12.2 million of ARPA is left to obligate. The FY 23 proposed uses of ARPA funds are:

- \$2 million revenue replacement reserve, with an additional \$1 million reserved for the FY 24 budget;
- \$2 million of community infrastructure through an RFP process
- \$1.8 million to phase in the budget impact of ARPA-eligible equity investments, with \$600,000 reserved for the FY 24 budget;
- \$1 million of targeted and high-impact grants of up to \$150,000 that will be vetted through a committee and granted to primarily non-profit partners;
- \$500,000 for a small business revolving loan fund aimed at targeting women and BIPOC owned businesses needing funds to stabilize post-pandemic;
- \$286,214 for constituent services;
- \$250,000 for economic recovery support; and
- \$100,000 for the City's continued COVID-19 response (adding to the existing \$100,000 reserve for the COVID response).

These investments would leave approximately \$3.8 million of remaining Burlington ARPA funds to be committed by the end of calendar year 2024. It is my expectation that we will propose that at least half of this be committed to further housing initiatives.

Revenue Replacement Reserve

The FY 23 budget is built on the assumption that revenues will return to pre-pandemic norms, which, for many revenue lines, has been defined as 3% growth per year since FY 19. Given that assumption is a deviation from the Administration's otherwise conservative approach to revenue projections, the FY 23 budget includes a \$2 million revenue replacement reserve funded with ARPA dollars that will only be used if needed (and we are also setting aside an additional \$1 million for FY 24 revenue replacement if needed). Should any department or revenue stream not achieve its target, we can draw upon the reserve to cover any shortfall without adversely affecting constituent services.

Police Department Rebuilding Plan

Investment in our public safety resources is a top priority in the coming year with major new investments for both rebuilding the police department and continuing our longstanding public safety transformation efforts. The FY 23 budget fully funds a robust rebuilding plan to hire officers back to the 87-officer authorized cap.

The Police Chief has set a goal to achieve 85 officers by July 1, 2025, through increasing our Police Academy class size by 50%, doubling the number of lateral hires, and improving our retention rates of current officers. The proposed three-year rebuilding plan invests \$1.2 million to keep current officers in the Police Department and attract new officers to Burlington. The \$1.2 million is made up of funds from:

- \$750,000 of rollover funds from FY 22 that were a result of vacant positions;
- \$150,000 of unspent recruitment incentives;
- \$150,000 raised by the Queen City Police Foundation. This is an aggressive but achievable; annual fundraising goal of \$50,000 to fund additional incentives for new officers; and
- \$70,000 of unspent retention incentives that are savings from additional departures since October 2021.

The \$1.2 million recruitment and retention plan allocates funding toward:

- \$500,000 toward a competitive contract with the Burlington Police Officers Association;
- \$270,000 for signing bonuses to pay 18 new officers \$15,000 to join the Burlington Police Department;
- \$200,000 for a recruitment firm and for marketing efforts to advertise that the Burlington Police Department is hiring; and
- \$150,000 for additional incentives for officers, such as housing stipends for officers to live in Burlington, education, and childcare.

Other Public Safety Investments

The FY 23 budget funds additional public safety initiatives to supplement our city's police presence and add new capacities for how we respond to public safety and mental health calls in the city:

- Expands the number of **Community Service Officers (CSOs)** from 10 to 12. CSOs perform foot patrols, respond to a variety of quality of life complaints, can write municipal tickets to address issues around noise, animal control, and open containers;
- Expands the number of **Community Service Liaisons (CSLs)** from 3 to 6. CSLs are social workers that work in the Burlington Police Department and focus on issues associated with mental health, substance use disorder, and homelessness. They often work on cases referred

by police officers or Street Outreach, and do follow up work that requires more time and resources;

- Funds seasonal **Beach and Parks Patrol** employees, who work on the Marketplace, waterfront, bike path, beaches, and parks to provide information to residents and visitors, educate the public about City ordinances and rules, and help foster a safe, clean, and healthy environment for all;
- Funds two permanent and up to seven seasonal **Urban Park Rangers**, who help the City ensure our parks are welcoming to everyone by increasing the thoughtful and positive presence in our parks and educating our visitors to help understand the park system, ordinances, and expectations;
- Continues the City's funding of the **Street Outreach Team (Howard Center)**, who work with people in the downtown Burlington Business District who have mental health, substance abuse, homelessness, and unmet social service needs; and
- Reserves \$400,000 for the creation of a **Crisis Response Team Program** inspired by the CAHOOTs program in Eugene, Oregon. The City's committed funding should leverage funding from the State and other sources to develop a strong, resourced program.

Racial Equity Inclusion and Belonging

Since creating the Racial Equity Inclusion and Belonging Department in the FY 20 budget, the City has dramatically increased its investment in the department from approximately \$100,000 annually to over \$1.7 million, making Burlington's department the most substantial in Vermont, and larger even than the State government's office. In FY 23 we will continue this investment with a \$1.8 million budget.

Funding at this level will allow the City to continue its anti-racism training for all employees, continue the tradition of hosting a major Juneteenth celebration, and to continue numerous policy initiatives. This year's budget also includes \$150,000 for new efforts to eliminate racial disparities in public health outcomes, building on the department's:

- Impactful funding of the Vermont Health Equity Initiative for both COVID-19 interventions and other efforts;
- Partnering with the Vermont Professionals of Color Network and the Vermont Health Equity Initiative to set up BIPOC vaccination clinics; and
- Administration of BIPOC grant programs, including a \$190,000 Empowerment Fund and an upcoming revolving loan fund using ARPA funds.

Net Zero Energy City and Climate Emergency Initiatives

The FY 23 budget continues the Administration's priority to invest toward our Net Zero Energy City goals and to fight the climate emergency. These initiatives are largely funded through Burlington Electric Department revenues, federal grants, and the Net Zero Energy Revenue Bond, overwhelmingly supported by more than 70% of voters in December 2021. These investments include:

- Over \$2 million of funds budgeted in the Burlington Electric Department for customer strategic electrification incentives and programs, such as rebates for heat pumps, e-bike, e-mowers, and home charging stations;
- \$1.5 million budgeted in BED for energy efficiency incentives and programs;
- Support for the continued development work on District Energy;
- Through the Net Zero Energy Revenue Bond, \$200,000 for installation of public level 2 and level 3 EV charging infrastructure;
- Continuing to replace our City fleet with electric vehicles and hybrid vehicles, with at least seven vehicles planned for FY 23;

- Improving HVAC systems in City building; and
- \$250,000 of energy efficiency improvements at the Burlington International Airport.

Streets, Sidewalks, and Transportation

With voters' support of the Capital Infrastructure Bond on Town Meeting Day 2022, the City will continue addressing the backlog of investments in our streets and sidewalks. The FY 23 budget allows for the City to make historic reinvestments in transportation and transportation infrastructure including:

- \$1.5 million of bike and pedestrian improvements, including protected bike lanes on North Champlain Street; bike and pedestrian improvements on Manhattan Drive; constructing the modern, one-lane Shelburne Street roundabout; upgrading University Place to add bike lanes and improved crosswalks; and constructing a shared-use path on Mansfield Avenue;
- \$1.6 million to rebuild three miles of sidewalks and resources to complete a new citywide sidewalk condition assessment so that the Department of Public Works can update its target for work moving forward;
- \$450,000 for traffic calming projects that also improve active transportation safety in the Birchcliff, East Avenue, and Mansfield Avenue neighborhoods and \$300,000 to expand traffic calming in other parts of the City;
- \$1.1 million to develop a shared use path on Intervale Road that will improve overall safety and accommodation for pedestrians and cyclists visiting the Intervale Center and the Wildways trail network;
- \$300,000 in grant funds for a shared use path on Lake Street to better connect the Old North End and the Lake Street sidewalk to the northern waterfront;
- \$40 million for the Champlain Parkway that will add 1.5 miles of shared use path, new crosswalks, raised intersections, transit prioritization at signalized intersections, pedestrian signals, transit shelters, and other multi-modal accommodations in the South End;
- Continuing the \$1.6 million in Green Mountain Transit, which is critical local match funding helping maintain fare free transit service through FY 23;
- \$15,000 for Transportation Demand Management along the North Winooski Avenue corridor; and
- Supporting staff for a planning effort to improve transportation connections between the new Amtrak passenger rail service to transit, bikeshare, and carshare.

Airport Investments

The FY 23 budget continues the Administration's record of strengthening of and investment into our municipal airport. While full recovery from the pandemic could take an additional one to-two years to regain pre-COVID enplanements, revenues have recovered faster than initially projected.

Historical federal funding, thanks to the leadership of Senator Leahy and congressionally directed spending requests, is helping the Burlington International Airport make substantial investments in facilities and infrastructure. In the coming months, the Airport will open the new Terminal Integration Project, a 37,000 square foot facility that will consolidate TSA checkpoints for passengers and provide direct access to the South Concourse and Main Terminal. This latest investment is step one of a multi-phase terminal rehabilitation project to provide modern day amenities and comfort to the traveling public while also planning for our future of passenger growth.

Additionally, through federal funds, the Airport is investing over \$1 million into sustainable infrastructure such as new solar fields, investigating geothermal technologies, and alternative aviation fuel programs. Overall, the proactive planning for capital investments at the airport is at an all-time high and will continue over the next several years.

Recent investments in the airport apron will support Beta Technologies' growth at the airport to develop and build electric aircraft and may also support the new Burlington Tech Center facility at the airport that is currently in the early planning stages.

Business and Workforce Development Department

During the pandemic the City dramatically expanded its citywide support efforts for Burlington businesses, communicating timely information, and deploying hundreds of thousands of dollars of assistance to many small, immigrant and BIPOC owned businesses. The FY 23 budget formalizes the creation of the Department of Business and Workforce Development, which will encompass the Church Street Marketplace, citywide business development initiatives, and workforce development, including the early learning initiative.

The new department will administer nearly \$500,000 of early learning initiative scholarships and \$200,000 of early learning capacity grants in the upcoming year. They will also support downtown vibrancy and economic development through the planning and production of the BTV Market, winter artist markets, and Old North End World markets. The department will also provide technical assistance and training to small and expanding businesses, engage in recruitment and retention efforts for larger businesses, as well as administer a \$500,000 women and BIPOC focused small business revolving loan fund. The Department of Business and Workforce Development will also lead the administration of the City's ARPA investments.

Property Tax Rates

In recognition of the challenging financial times many Burlington residents continue to face, this budget maintains the General City tax rate at the same level as last year. Due to a bill recently passed by the Legislature and signed into law by the Governor, the education tax rate will decrease this year due to a \$90 million surplus in the state's education fund. This allows the budget to restore several discretionary tax rates that were held below the voter-authorized maximum rate levels last year, fully funding the Conservation Legacy Fund, the Library Tax, Penny for Parks, and the Housing Trust Fund.

The total proposed FY 23 Property Tax Rate (proposed Municipal Tax Rate plus estimated Education Rate) provides for a reduction in taxes from FY22. The FY 23 tax rates are set per the table below and these would result in an overall decrease in tax rates of 4% for both homestead and non-homestead taxpayers.

FY 23 Tax Rates as compared to FY 22 Tax Rates

Rate	FY 22	FY 23
Municipal	\$0.6700	\$0.7082
Local Agreement	\$0.0003	\$0.0003
Education Homestead declaration - estimated	\$1.4553	\$1.3891
Education Non-homestead (commercial) - estimated	\$1.5306	\$1.466